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Revisiting the Issues in the Design and Implementation of Centrally Sponsored Schemes Post Rationalisation

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Abstract

Centrally Sponsored Schemes, being an important component of specific purpose grants given by the Centre to States, aim at ensuring minimum standards of public services to the people throughout the country. These schemes have, in fact, become an aggressive intervention of the Centre in areas Constitutionally assigned under State List. Almost ever since their introduction during Fourth Five-Year Plan or so, the Centrally Sponsored Schemes have often been criticized by various State Governments as well as by subject experts for a number of reasons. It was only during the Twelfth Five-Year Plan that a significant rationalization and restructuring of these schemes was attempted. The present paper tries to examine if the issues associated with CSSs which became an all-time concern of States and subject experts have been taken care of by the process of rationalization so attempted. The analysis of this paper reveals that the number as well as the nature of Centrally Sponsored Schemes and the issues associated with them have hardly changed even after a comprehensive rationalisation/restructuring is attempted. This calls for a complete overhauling of the specific purpose transfer system in India.

Key Words- Centrally Sponsored Schemes, Rationalisation, Specific Purpose Grants.

Introduction

Centrally Sponsored Schemes (CSSs) form the significant portion of specific purpose grants given by the Centre to States to support State level expenditure in key areas of national priorities, such as health, education, agriculture and rural development, poverty alleviation, etc. so as to provide minimum standards of public services to all people. Furthermore, for the successful implementation of these CSSs, State Governments are required to make matching contributions along with providing human resource and all necessary infrastructure. Although over five decades of their operation, these CSSs have resulted in quite less than the desired outcomes (Reserve Bank of India, 2016) and have received criticisms from time to time by experts and State Chief Ministers in different meetings of National Development Council (Government of India, 2011b). The major criticisms of CSSs point towards their poor design and implementation aspects, including lack of flexibility in CSSs, using one-size-fits all approach in their implementation across States, adverse implication of counterpart funding requirement of CSS on states' finances and questionable utility of operating large number of CSSs with thinly spread resources at the field level with hardly any outcome observed. Most of the earlier attempts to address various criticisms of CSSs focused mainly on bringing down the number of these CSSs. All such attempts, however, proved ineffective mainly due to the lack of the political will (Government of India, 2011b). It was only in the Twelfth Five-Year Plan, more especially, following the recommendations of the Fourteenth Finance Commission that a significant restructuring and rationalization of the Centrally Sponsored Schemes was undertaken by the Government of India. The present paper, therefore, attempts to revisit whether the long-pending issues in the design and implementation of Centrally Sponsored Schemes have been addressed by the process of rationalisation of CSS undertaken since 2014-15. Section 2 of this paper reviews the recent attempts towards the restructuring and rationalization of Centrally Sponsored Schemes, while Section 3 tries to examine whether the so-called rationalized system of grants, which is mostly dominated by CSS is free from the issues which were all-time concern of State Governments and other experts. Finally, Section 4 presents some concluding observations and policy recommendations.

I. Attempts for Rationalisation of Centrally Sponsored Schemes

The rationalization of Centrally Sponsored Schemes during the Twelfth Five-Year Plan owed its basis on the recommendations made by High Level Expert Group on Efficient Management of Public Expenditure (Government of India, 2011a) and Committee on Restructuring of Centrally Sponsored Schemes (Government of India, 2011b). In its first attempt towards addressing the issues raised by State Chief Ministers in NDC and meeting the consequent recommendations of the Twelfth Five-Year Plan, the Government of India, in June 2013 decided to restructure the then existing 137 Centrally Sponsored Schemes and 5 scheme based Additional Central Assistance (ACA) into 66 schemes (including the flagship schemes) (Government of India, 2011b, 2013). This was subsequently reflected in the provisions made in the Union Budget for 2014-15. States were also provided with some flexibility in the implementation of these schemes. Furthermore, the practice of direct transfer of Central Assistance under CSSs to the implementing agencies was done away with, and following the recommendations of High Level Expert Group on Efficient Management of Public Expenditure (Government of India, 2011a), since 2014-15, all Central Assistance under CSSs started flowing to the Consolidated Funds of the States as part of Central Assistance to State Plan (CASP).

The Fourteenth Finance Commission (FC-XIV) recommended a substantial increase in the general purpose transfers by enhancing the share of tax devolution to States to 42 per cent from the previous level of 32 per cent, but taking care of the entire revenue expenditure needs of States (both plan as well as non-plan) and subsuming normal and special plan assistances, special Central Assistance and other State-specific grants (Government of India, 2015: p.97). Being quite aware of the limited fiscal space with the Centre, the FC-XIV recommended a commensurate reduction in conditional/specific purpose grants given to States in the form of Centrally Sponsored Schemes and block grants (Government of India, 2015: p.155). Therefore, in order to suitably accommodate these and other recommendations of FC-XIV, a further rationalization of CSSs was attempted in 2016-17 (Government of India, 2016) following the recommendations of the Subgroup of Chief Ministers (NITI Aayog, 2015). The rationalization and restructuring of grants, in general and that of CSS, in particular has two components, namely, (a) reduction in Central spending on schemes through changed sharing pattern; and (b) reduction in the total number of schemes by discontinuing some schemes, while merging some other schemes with smaller outlays into suitable groups. The rationalization of CSSs, attempted in this manner reduced the number of the then existing 66 schemes to 28-29 umbrella schemes. Except a couple of them regrouped as optional schemes, the others were categorized as core schemes which aimed at prioritizing the objectives of the National Development Agenda, such as social security and social inclusion, health, education, livelihood, agriculture and rural development, urban rejuvenation, etc. Schemes of social security and social inclusion (six in number) were classified as core of the core schemes. While there is no choice for States to escape from core of the core and core schemes, their participation in optional schemes is by choice. States are, however, given a flexibility in choosing among components while designing a CSS. The flexi-fund share has also been extended from the then 10 per cent to 25 per cent. The funding pattern also underwent a change with States making a matching contribution of 30 per cent, 40 per cent and 50 per cent for core of the core, core and optional schemes respectively. For eight North-Eastern States and three Himalayan States, it is 10 per cent for core of the core and core schemes, whereas it is 20 per cent for optionals. The rationalization measures also emphasized the need to have regular monitoring and evaluation of various CSSs and adopt a gradual transition to an automated system through Public Financial Management System (PFMS) and integrating States' treasuries with it for making releases on a real time basis and easy tracking of fund flow from Centre to States and from States to implementing agencies.

II. Major Issues in Design and Implementation of CSS

As per the actuals for the year 2018-19, around 12.79 per cent of Central Government expenditure is transferred to States and Union Territories for implementing various Centrally Sponsored Schemes. Out of the total Central allocation on CSSs, around 62 per cent (with a total of 41 CSSs) is accounted for by only three Departments/Ministries, namely, Department of Rural Development, Department of School Education and Literacy and Department of Health and Family Welfare (Table 1). This table also seems to indicate uneven allocations to some of the important Ministries/Department having large number of CSSs. In this connection, special attention is drawn towards Department of Health and Family Welfare, Department of Agriculture, Cooperation and Farmers' Welfare, Department of Drinking Water and Sanitation, Ministry of Women and Child Development and Department of Social Justice and Empowerment. These five Departments/Ministries together run a total of 93 CSSs with a combined share of 34.37 per cent of total Central allocation on CSSs.

Table 1.

Number of and Percentage Allocation on Centrally Sponsored Schemes – 2018-19 (actuals)

Ministry/Department	No. of Css (by Components)	Per cent Allocation on CSS
Agriculture, Cooperation and Farmers Welfare	19	5.1
AYUSH	1	0.21
Environment, Forest and Climate Change	10	0.27
Fisheries	2	0.17
Animal Husbandry and Dairying	11	0.53
Health and Family Welfare	23	11.72
Police	3	1.16
Housing and Urban Affairs	11	7.31
School Education and Literacy	5	14.73
Higher Education	1	0.09
Water Resources, River Development and Ganga Rejuvenation *	8	1.57
Drinking Water and Sanitation	18	6.32

Labour and Employment	3	0.78
Law and Justice	2	0.22
Minority Affairs	1	0.47
Panchayati Raj	3	0.25
Rural Development	13	35.16
Land Resources	1	0.59
Skill Development and Entrepreneurship	8	0.8
Social Justice and Empowerment	15	2.49
Tribal Affairs	10	1.23
Women and Child Development	18	8.74
Total	186	99.91

*: One CSS of this Ministry belongs to 'Others', Viz., National River Conservation Plan - Other Basins.

Source: Drawn from Expenditure Budget 2020-21, Union Government of India.

One of the important change in India's fiscal federal architecture was the constitution of the NITI Aayog which replaced the erstwhile Planning Commission and hence, also eliminated the dichotomy of plan vs non-plan expenditures. Though this move of the Government of India is largely welcome, it, however, seems challenging so far as balanced regional development is concerned (Kelkar, 2019). The erstwhile Planning Commission used to serve as one of the two important pillars of the Indian fiscal federal architecture (the other being the Finance Commission) by transferring resources through plan grants to States. The newly constituted NITI Aayog is not entrusted with any such role and responsibility. The conditional transfers under CSSs are thus continued to be made by concerned Central Ministries/Departments, thereby continuing the centralization of financing of CSS along with their design which form the ultimate basis as to how a particular CSS is going to be implemented across States. This is although against the recommendation of the FC-XIV which suggested the setting up of a committee comprising of representatives of both Central and State Governments as well as domain experts for deciding the design and implementation of specific purpose transfers (Government of India, 2015: p.167-169).

With the Centralised system of design and implementation of specific purpose transfers, such as CSS, the delivery of standard quality of public services up to the final level would be very less than the desired level in a federal country like India having diverse population coming from twenty-eight different States and eight Union Territories with varying levels of socio-economic structures, different historical and cultural backgrounds and above all, having different geographical characteristics. Furthermore, each State is having a decentralized system of local governance with numerous urban and local bodies that are Constitutionally empowered to act as important agents in the delivery of public services. Thus, the coordination and cooperation between all federal units from top to bottom, and their joint efforts towards National Development Agenda is the key to the effective utilization of specific purpose transfers and successful implementation of various programmes/schemes. Here it is to be noted that many of the CSSs and/or its components stretch over two or more Ministries/Departments, and in many cases, these are complementary in nature. However, coordination among various Departments of a Central Ministry and also between different Central Ministries is often found lacking resulting in various types of irregularities and mismanagement of public money. Furthermore, the effective delivery of public services through specific purpose transfers (such as CSSs) requires cooperative federal spirit. In India, frictions in Centre-States fiscal relations are often observed to exist due to political and other reasons, and the issues are even more pronounced when it comes to the relation between States and their local counterparts. The conflict between Centre and States often arises because various schemes are designed and regulated by the Centre, while the responsibility of their implementation rests with the States in joint cooperation with local governments and other implementing agencies which generally fall out of the States' administrative structure. Thus, on the failure of a CSS to deliver the final outcome, while the Centre holds State Governments responsible for poor implementation, States holds Centre responsible for weak design of the CSS, that led to the problems in its implementation.

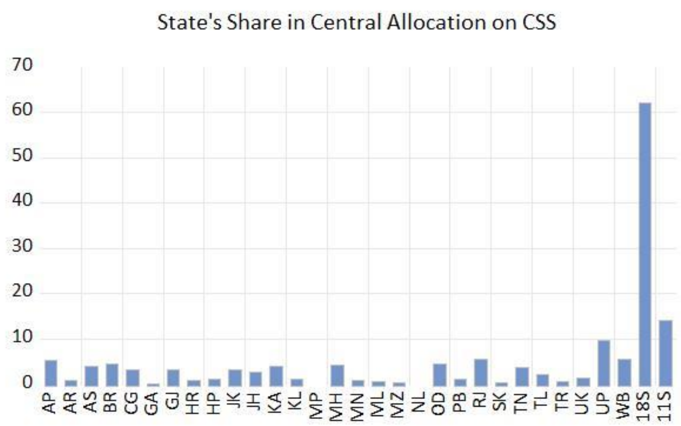
Central Ministries/Departments, which formulate, regulate and finance CSSs, actually do not have any control over the execution of CSSs and their evaluation in terms of their stipulated objectives. They lack standard mechanism to assess State-specific needs and also lack any precise methodology to verify the facts and figures stated by the States. In the absence of a comprehensive assessment of State-specific needs, Ministries apply their discretion and utilize annual incremental plans prepared by States and approved by a Central Committee for releasing the Central Assistance. These inabilities of Central Ministries/Departments coupled with poor financial management, such as diversion of funds and deficient record maintenance, result in the weak design system of CSSs and inadequate funding for them. Less allocation than the budgeted provision also happens mainly due to change in Central fiscal priorities and other macroeconomic developments between the time when the budget announcement is made and when the actual installment is released (Rao, 2017).

Ideally, the design of a CSS is best summarized in its comprehensive guidelines outlining every factor of the scheme as well as the methodology/mechanism for various processes required for achievement of the scheme's objectives. However, several important gaps in the guidelines, where Ministries can exercise their absolute control are observed. For instance, in respect of post-matric scholarship to students belonging to schedule caste, the CAG's Performance Audit Report No. 12 of 2018 found that the concerned guidelines lacked mechanism for preparation of any action plan/perspective plan for identification of eligible beneficiaries in the States before submission of their proposals for Central Assistance to the concerned Ministry. Similarly, the guidelines lacked prescriptions for any timelines at States for submission of applications by students, scrutiny of applications by implementing agencies and disbursal of scholarships nor for submission of estimates by States to the concerned Ministry. Also, the framework for assessing the achievement of the scheme was absent. In other cases, such as healthcare, the National Health Mission Implementation Framework Document lacks clarity on several aspects, including the standard unit cost structure. Despite varying population densities across States, the National Health Mission Implementation Framework stipulates fixed population norms for setting up health facilities.

While a large part of States' revenue receipts comes from Central Government transfers. Due to defective budgeting and incorrect budget projections at the Centre, the amount transferred annually to States remain highly variable. This causes uncertainty in States' revenue receipts that creeps into their expenditure projections (Chakraborty et al., 2019; Reserve Bank of India, 2019). It is because of uncertainties in States' budgets that the effective utilization of public money is even more challenging for them. Constrained by their finances and having differences in relative priorities, absorptive capacities, institutions and infrastructure, it is not possible for all States with varying fiscal abilities to make uniform matching contributions and utilize Central Assistance under CSSs effectively. Thus, wide differences in Central Assistance to States under CSSs are found with richer States capturing more funds as compared to their poor counterparts (Rao, 2017; Kapur, 2019). This is also demonstrated in Figure 1 which plots the percentage shares of different States in Central allocation on CSSs for the year 2017-18. Eleven States comprising of eight North Eastern States – Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim and Tripura and three Himalayan States, namely, Himachal Pradesh, erstwhile Jammu and Kashmir and Uttarakhand account for only 14.17 per cent share in Central allocation on CSSs, while other eighteen States attract 62 per cent. Even among other eighteen States, wide variations are observed. This has serious implications so far as the provision of minimum standard of public services to the people in poor States is concerned. Moreover, Kapur (2019) notes that the 25 per cent flexi-fund of the overall annual allocations under CSSs to be given to States (as notified in the rationalization measures) was not reflected in many scheme plan documents. If core of the core and core schemes are being implemented across all States, it is not rational to assume that all States are passing through the same stages of implementation of schemes so far as the rigid funding of various components/schemes is concerned. In other words, a particular State might have achieved the saturation in say elementary education or primary healthcare and wishes to divert the funds allocated under these components to higher education or secondary/tertiary healthcare services respectively. These flexibilities are, however, still lacking in most cases, which leads to the mismanagement of public funds by States. The rigid Central funding for various CSSs and/or their components with numerous conditionalities attached to them often fall short of States' requirement or it is in excess of requirement for some States for some CSSs components.

Figure 1.

States' Share in Central Allocation on CSS - 2017-18 (actuals)



Source: Expenditure Budget 2019-20, Government of India.

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Due to the problems in the design of CSSs and given States' own constraints, States often fail to comply with scheme guidelines/orders due to the rigid character of those guidelines, less developed institutions, lack of administrative capacity, several complex rules and procedures, etc. The complex rules and procedures and parallel roles played by States and autonomous bodies/societies in planning and implementation leads to unnecessary hold of bureaucracy, thus causing inefficiencies in approval and ineffective utilization of funds and delays in their release to the implementing agencies (Kapur, 2019). In this connection, the findings of a study by Choudhury and Mohanty (2018) are worth noting here with regard to the National Health Mission (NHM).

(I) During 2015-16 and 2016-17, on average, only about 55 per cent of the funds allocated to States were actually spent.

(II) The utilization ratio was marginally lower in the group of States with lower health achievements (high focus States) than those with relatively better health achievements (non-high focus States). Disparities were even found to exist within high focus and non-high focus groups of States.

(III) On average, disproportionately high share of expenditure (around 40 per cent) in States was incurred in the last quarter. Disparities were observed among States in this respect too.

(IV) Delays in the flow of funds to the implementing agencies was attributed as one of the significant reasons for incurring large share of expenditure in the last quarter by States. In this respect, substantial delays were observed in case of Bihar and Maharashtra.

(V) These delays in the flow of funds from States to the implementing agencies were, in turn, attributed to the lengthy/complex procedures. The paper file for release has to pass through a minimum of 32 desks in Bihar and 25 desks in Maharashtra as compared to 10 in Odisha before funds can be released by respective States to State Health Societies (SHS). The procedure was found far more complex in Bihar than any other State.

(VI) Structuring of NHM budget into more than 1000 budget lines with the requirement of separate financial reporting for each programme; limited flexibility in the use of funds across different flexible pools; and often strict segregation of budgets even within the same flexible pool result in further complications towards the implementation of the programme, reduce transparency and pose hurdles in effective utilization of funds.

(VII) SHSs lying outside the administrative machinery of States, lack of physical inputs such as human resources in States' health system and weak administrative setup further add to the problem.

In connection with the findings of Choudhury and Mohanty (2018) mentioned above, it may be added that the Public Financial Management System (PFMS) was conceived as a web based integrated system for processing payments and for tracking, monitoring, accounting, reconciliation and reporting of all receipts and expenditure of the Government of India. It replaced the erstwhile Central Plan Scheme Management System (CPSMS) which was being implemented on pilot basis in four states, namely, Madhya Pradesh, Bihar, Punjab and Mizoram to monitor fund flow of four planned schemes, Viz., Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), National Rural Health Mission (NRHM), Sarva Shiksha Abhiyan (SSA) and Pradhan Mantri Gram Sadak Yojna (PMGSY) by the Controller General of Accounts (CGA) since 2008. The overall aim was to integrate all treasuries at

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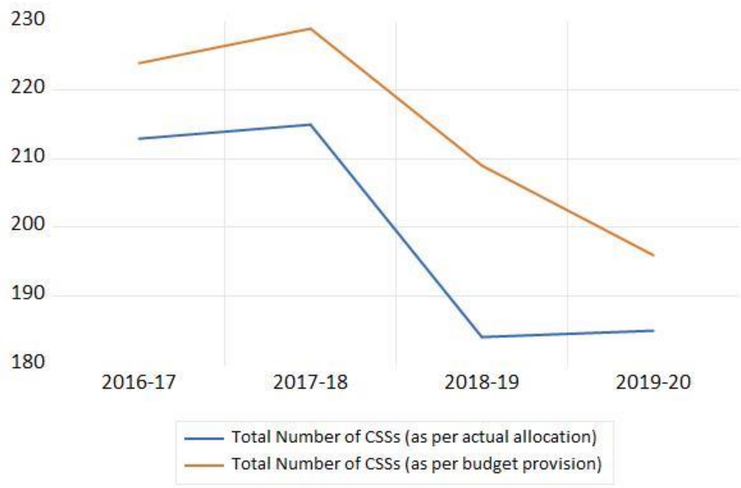
different levels of Governments and link all schemes and other kinds of transfers with this electronic platform so that the release of funds could be made without any delay and the same could be tracked at different levels. PFMS has, however, not matured enough yet so as to remove the existing weaknesses in the system of fund release and tracking of the same for various CSSs. Chapter 8 of the CAG's Report No.4 of 2018 on Compliance Audit Observations, Union Government highlighted that PFMS had not adhered to timelines on almost all parameters of project implementation and is not yet ready to deliver on any of its stated objectives. Giving more financial autonomy to local bodies in terms of increased devolution will help in even more effective delivery of public services. In this direction, the Fifteenth Finance Commission (FC-XV) (Government of India, 2019) made significant departures from the earlier Finance Commissions. These include, among others, recommendation of grants to all tiers of the panchayati raj; giving grants to Fifth and Sixth Schedule areas and Cantonment Boards (unlike FC-XIV); and provision for tied grants in the critical sectors of sanitation and drinking water in order to ensure additional funds to the local bodies over and above the funds allocated (both Union and States' shares) for the purpose under the Centrally Sponsored Schemes 'Swachh Bharat Mission' and 'Jal Jeevan Mission'.

An important area of all time concern raised by States and experts has been the large number of CSS components and thinly spread resources on them. It may be noted that although the Union Budgets since 2016-17 broadly followed the prescribed limit and allocated the funds for schemes not exceeding 30, the expenditure profile of the Union Budget for 2017-18 indicated the components, such as A, B, C, etc., in respect of many CSSs, thus taking the total number of CSSs far beyond the prescribed maximum number, 30. Likewise, the expenditure profile of the Union Budget 2020-21 indicates a total of 35 CSSs for which the budget allocation is made (including 5 optional schemes). The fact of the matter is that whether or not a budget indicates the components of CSSs, various CSSs in operation have still multiple components, and each component is indeed a separate scheme in itself. This is reflected from Figure 2 and Table 2. Figure 2 indicates that in each of the years considered, budget provision is made for larger number of CSSs as compared to those getting the actual/revised allocations. This seems to have defeated the very purpose of reducing the number of CSSs to provide adequate funds to each CSS in operation. Here it may also be noted that in the present system, if the Centre discontinues its support for a CSS or makes no provision in the budget for it (either for the entire scheme or for some of its components), then that CSS actually remains with the States and States have to incur various types of expenses on its maintenance, as it is difficult for States to dismantle human and physical infrastructure facilities which have already been put in place in respect of a particular CSS. Further, large number of CSSs means that the States have to prepare separate plans for each of them, which is cumbersome so far as quick approval of funds and their timely release are concerned for effective delivery of services. The lack of clarity on the rationalization of the number of CSSs and/or its components may further be seen from Table 2 which shows scheme-wise distribution of CSS components post rationalisation. While the number of subcomponents of 6 core of the core schemes reduced considerably from 65 to 34 between 2016-17 and 2020-21 (BE), the number of subcomponents of 24 core schemes increased slightly between these years from 148 to 151. This number should further be reduced for better monitoring and also to ensure an effective utilization of public funds towards identified priority areas.

Figure 2.

Total Number of CSS as per Actual Allocation and Budget Provision – 2016-17 to 2019-20.



Source: Union Budget (various years).

Table 2.

Scheme-wise Distribution of CSS Components Post Rationalisation

S.No.	Ministry/Department	Name of CSS	Number of Components				
			2016-17	2017-18	2018-19	2019-20 (RE)	2020-21 (BE)
(A)		Core of the Core Schemes	65	70	33	33	34
1.	Rural Development	National Social Assistance Programme	6	5	6	6	6
2.	Rural Development	Mahatma Gandhi National Rural Employment Guarantee Programme	1	1	1	1	1
3.	Social Justice & Empowerment	Umbrella Scheme for Development of Schedule Castes	17	18	8	8	8
4.	Tribal Affairs	Umbrella Programme for Development of Schedule Tribes	8	11	8	9	10

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5.	Minority Affairs	Umbrella Programme for Development of Minority Affairs	18	19	3	2	2
6.	Social Justice & Empowerment; Empower of PWDs	Umbrella Programme for Development of Other Vulnerable Groups	15	16	7	7	7
(B)		Core Schemes	148	145	151	150	151
7.	Agriculture, Cooperation & Farmers' Welfare	Green Revolution	18	17	19	18	18
8.	Animal Husbandry, Dairying & Fisheries	White Revolution	8	7	9	7	11
9.	Animal Husbandry, Dairying & Fisheries	Blue Revolution	2	1	2	2	2
10.	Water Resources, River Development & Ganga Rejuvenation; Land Resources	Pradhan Mantri Krishi Sinchai Yojna	8	7	7	9	9
11.	Rural Development	Pradhan Mantri Gram Sadak Yojna	2	2	2	3	3
12.	Housing & Urban Affairs; Rural Development	Pradhan Mantri Awas Yojana (PMAY)	6	6	6	7	7
13.	Drinking Water & Sanitation	Jal Jeevan Mission (JJM) / National Rural Drinking Water Mission	14	13	13	13	11
14.	Housing & Urban Affairs	Swachh Bharat Mission (SBM) (Urban)	1	1	1	1	1
15.	Drinking Water & Sanitation	Swachh Bharat Mission (SBM) (Gramin)	6	5	5	5	7
16.	Health & Family Welfare; AYUSH	National Health Mission	25	25	27	26	22

17.	School Education & Literacy; Higher Education	National Education Mission	6	5	5	4	4
18.	School Education & Literacy	National Programme of Mid Day Meal in Schools	1	1	1	1	1
19.	Women & Child Development	Umbrella ICDS	7	6	6	6	6
20.	Women & Child Development	Mission for Protection & Empowerment for Women	12	12	13	12	12
21.	Housing & Urban Affairs; Rural Development	National Livelihood Mission - Ajeevika	2	3	2	2	2
22.	Labour & Employment; Skill Development & Entrepreneurship	Jobs & Skill Development	8	9	9	10	11
23.	Environment, Forests & Climate Change	Environment, Forestry & Wildlife	9	12	10	10	10
24.	Housing & Urban Affairs	Urban Rejuvenation Mission: AMRUT & Smart Cities Mission	6	6	3	3	3
25.	Police	Modernisation of Police Forces	2	2	2	2	2
26.	Law	Infrastructure Facilities for Judiciary	2	2	2	2	2
27.	Police	Border Area Development Programme	1	1	1	1	1
28.	Rural Development	Shyama Prasad Mukherjee Rurban Mission	1	1	1	1	1
29.	Panchayati Raj	Rashtriya Gram Swaraj Abhiyan (RGSA)	0	0	3	3	3

30.	Health & Family Welfare	Pradhan Mantri Jan Arogya Yojna (including RSBY)	1	1	2	2	2
Total of Core of the Core & Core Schemes			213	215	184	183	185
©		Others	0	0	0	2	5
Grand Total			213	215	184	185	190

Source: Expenditure Budget Statements of various Ministries/Departments of different years.

The second related concern of States and other experts has been on thinly spread resources on various CSSs in operation with multiple components. The lack of adequate funds thus poses a question on the utility of having a large number of CSSs. This may be demonstrated by considering the recent Union Budget of 2020-21. The budget provision is made for a total of 35 CSSs (including 30 core of the core and core and 5 others) with an allocation of Rs.339894.53 crores. Going by this, the Central outlay allocated per CSS thus comes out to be Rs.9711.27 crores, which has to be divided amongst twenty-eight States and eight Union Territories. . Now States have the flexibility either to choose any of the optional CSSs or to allocate the entire funds on all core of the core and core schemes. It is clear from Table 2 that all core of the core and core schemes have a total of 185 subcomponents, which, in themselves are separate CSSs. Taking these into accounts and assuming that, in order of priority, 99 per cent of the entire allocations would be spent on core of the core and core schemes only, the per scheme outlay thus comes out to be around Rs.1818.9 crores (99 per cent of Rs.339894.53 / 185). This outlay would spread even thinner if per State allocation is considered. As discussed above, large variations are observed among States in availing funds under CSSs due to differences in their absorptive capacities.

Table 3 shows scheme-wise distribution of outlay for core of the core and core schemes in operation as per the budget provision made in the Union Budget of 2020-21.[1] Here it may be seen from this table that among 6 core of the core schemes (having 34 subcomponents) accounting for 25.05 per cent of the total Central allocation on CSSs, 18.09 per cent is taken up by MGNREGP alone (having 1 subcomponent), whereas other five core of the core schemes with 33 subcomponents constitute 6.96 per cent. On the other hand, 24 core schemes account for about 74.81 per cent and have as many as 151 subcomponents in all. The largest shares are made up by NEM, NHM, PMAY and Umbrella ICDS. A more careful examination of all CSSs, ranked by outlay shows that top 10 CSSs with 84 subcomponents have a total outlay of Rs.260029.16 crores, constituting 76.5 per cent of the total Central allocation on CSSs. Each of the top 10 CSSs has an outlay greater than Rs.10000 crores. These top 10 CSSs encompass MGNREGP, NEM, NHM, Green Revolution, PMKSY, PMGSY, PMAY, JJM/NRDWM, Umbrella

[1] This analysis is done following Khullar et al. (2018).

ICDS and Urban Rejuvenation Mission: AMRUT and Smart Cities Mission (Table 4). Thus, only one core of the core scheme is included in top 10 CSSs.

The other 20 CSSs together have 101 subcomponents and account for 23.36 per cent (Rs.79389.48 crores) of the total outlay on CSSs (Rs.339894.53 crores). Out of these 20 CSSs, 5 belong to the category of core of the core schemes comprising of 33 subcomponents and accounting for 6.96 per cent of the total outlay on CSSs. Among other 15 schemes, three schemes, namely, National Programme of Mid Day Meal in Schools, National Livelihood Mission – Ajeevika and Jobs and Skill Development together have 14 subcomponents and account for 7.76 per cent of the total outlay on CSSs. The funds thus allocated for the rest 20 CSSs (including 5 core of the core schemes) may not be sufficient in so far as their priority is concerned as well as their implications on other dimensions of development, including human development. Therefore, either the regrouping of core of the core and core schemes requires further examination or the fund allocation between different types of schemes is to be reprioritised.

Table 3.

Scheme-wise Outlay for Core of the Core and Core Schemes – 2020-21 (BE)

S.No.	Name of Scheme	Rank of Scheme in Terms of Outlay	Number of CSSs	Total Outlay (in Rs. Crores)	Percentage to Total Outlay Under CSSs
(A)	Core of the Core Schemes		34	85159.77	25.05
1.	National Social Assistance Programme	14	6	9196.92	2.71
2.	Mahatma Gandhi National Rural Employment Guarantee Programme	1	1	61500	18.09
3.	Umbrella Scheme for Development of Schedule Castes	16	8	6242.33	1.84
4.	Umbrella Programme for Development of Schedule Tribes	18	10	4190.52	1.23
5.	Umbrella Programme for Development of Minorities	22	2	1820	0.54
6.	Umbrella Programme for Development of Other Vulnerable Groups	21	7	2210	0.65
(B)	Core Schemes		151	254258.87	74.81
7.	Green Revolution	8	18	13319.77	3.92
8.	White Revolution	23	11	1805	0.53
9.	Blue Revolution	30	2	570	0.17

10.	Pradhan Mantri Krishi Sinchai Yojna	10	9	11126.51	3.27
11.	Pradhan Mantri Gram Sadak Yojna	6	3	19500	5.74
12.	Pradhan Mantri Awas Yojna (PMAY)	5	7	27500	8.09
13.	Jal Jeevan Mission (JJM) / National Rural Drinking Water Mission	9	11	11500	3.38
14.	Swachh Bharat Mission (Urban)	20	1	2300	0.68
15.	Swachh Bharat Mission (Gramin)	13	7	9994.1	2.94
16.	National Health Mission	3	22	34115	10.04
17.	National Education Mission	2	4	39160.5	11.52
18.	National Programme of Mid Day Meal in Schools	11	1	11000	3.24
19.	Umbrella ICDS	4	6	28557.38	8.4
20.	Mission for Protection & Empowerment for Women	24	12	1163	0.34
21.	National Livelihood Mission - Ajeevika	12	2	10005.04	2.94
22.	Jobs & Skill Development	17	11	5372.42	1.58
23.	Environment, Forestry & Wildlife	25	10	926	0.27
24.	Urban Rejuvenation Mission: AMRUT & Smart Cities Mission	7	3	13750	4.05
25.	Modernisation of Police Forces	19	2	3161.91	0.93
26.	Infrastructure Facilities for Judiciary	28	2	762	0.22
27.	Border Area Development Programme	27	1	783.71	0.23
28.	Shyama Prasad Mukherjee Rurban Mission	29	1	600	0.18
29.	Rashtriya Gram Swaraj Abhiyan (RGSA)	26	3	857.53	0.25
30.	Pradhan Mantri Jan Arogya Yojna (including RSBY)	15	2	6429	1.89

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Total of Core of the Core & Core Schemes		185	339418.6	99.86

Source: Same as for Table 2.

Table 4.

Distribution of Schemes by Outlay – 2020-21 (BE)

S.No.	Range of Outlay on CSSs (in Rs. Crores)	S.No.s of CSSs from Table 5	Total Number of Subcomponents	Total Outlay in the Range (in Rs. Crores)	Percentage to Total Central Outlay on CSSs
1.	Greater than 10000	2, 7, 10, 11, 12, 13, 16, 17, 18, 19, 21, 24.	87	281034.2	82.68
2.	5001-10000	1, 3, 15, 22, 30.	34	37234.77	10.95
3.	1001-5000	4, 5, 6, 8, 14, 20, 25.	45	16650.43	4.9
Subtotal	Greater than 1000	24 schemes	166	334919.4	98.54
4.	501-1000	9, 23, 26, 27, 28, 29.	19	4499.24	1.32
Subtotal	1000 or less	6 schemes	19	4499.24	1.32
Grand Total	Greater than 500	30 schemes	185	339418.64	99.86

Source: Same as for Table 2.

The above discussion brings up another issue of regular monitoring and evaluation of various CSSs being implemented in various States so as to assess State-specific progress. In this connection, the Accountability Initiative, Centre for Policy Research, an independent research organisation, has been doing a commendable job by bringing up various issues in the progress of States with regard to different schemes through its Budget Briefs. NITI Aayog has very recently initiated the process for this in June, 2019. In this direction, the efforts of respective Central Ministries to seek progress reports from States are either not supported or partially supported by States by furnishing them the progress on all the desired parameters. With inputs received from States and using their own assessments, individual Ministries used to bring out their respective Outcome Budgets till 2017. Since 2017, this has been revised to bring the expected physical targets and achievements along with the financial outlays (all measurable in quantitative terms) given for various Government schemes/projects in a consolidated Outcome Budget based on an output-outcome framework. The aim of this document is to improve transparency and bring in greater accountability of the agencies involved in the execution of Government schemes/projects.

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Thus, ideally, there is supposed to be a direct relation between financial outlays and physical outputs and outcomes described in the Outcome Budget Document, though outcomes are not measurable in exact quantities/units.

The audit analysis of Outcome Budgets of two selected Ministries, namely, Ministry of Drinking Water and Sanitation and Ministry of Urban Development for the years from 2013-14 to 2016-17 (Chapter 2 of Report No. 4 of 2018 on Compliance Audit Observations of Union Government, CAG) disclosed substantive deviations from guidelines relating to preparation of Outcome Budgets with no correlation between financial outlays and physical outcomes. The absence of gender budgeting in outcome budgets was observed despite significant role played by women in planning, implementation and operations and maintenance of two selected CSSs, Viz., National Rural Drinking Water Programme (NRDWP) and Swachh Bharat Mission – Gramin (SBM-G). Furthermore, information on normal savings, under/non-utilization, and surrender of funds was not depicted in the Outcome Budgets for any of the years under analysis. This was despite depicting savings/surrenders in the Appropriation Accounts of the concerned Ministries during the said period. Besides these irregularities, the review of the two selected CSSs revealed that financial outlays were stated in respect of Central share only. Targets for providing safe drinking water were achieved in first two out of four years under analysis, while for SBM-G, no direct correlation was found between financial outlays and physical targets. There were discrepancies also in depiction of programme targets and figures between the Outcome Budgets and the web-based online systems of the Ministries and monitoring of the progress of implementation of the programmes through Webbased online system suffered from data unreliability. Due to such deviations as well as non-depiction of physical targets and achievements against each component of various schemes/programmes, the Outcome Budget failed to serve its intended purpose as an instrument to measure outcomes expected from the financial outlays being made.

III. Concluding Observations and Policy Recommendations

It appears from the analysis of this paper that The number as well as the nature of Centrally Sponsored Schemes and the issues associated with them have hardly changed even after a comprehensive rationalisation/restructuring is attempted. Running too many schemes with meagre resources, Centralisation of financing and design of CSS in the hands of concerned Central Ministries and lack of proper coordination among different Ministries administering a CSS, hardly any control of Central Ministries over the execution and evaluation of CSS (in terms of stipulated objectives and guidelines) being run by them, gaps in The design guidelines of CSS and rigid financial conditions and physical norms attached to them, and failure on the part of States to comply with scheme guidelines as well as States' own complex rules and procedures in the approval and release of funds under various CSS are still some of the issues in the design and implementation of CSS which were observed way back in 1999 by an audit report of the CAG. It appeared from the analysis that the basic institutional framework responsible for the implementation of these CSSs remains almost unaltered, whereas the Government seems to have relied more upon technology for bringing a drastic reform in the federal architecture of the country. More importantly, fiscal decentralization, which seeks to empower local governments is of a little success so far. This concern has also been expressed in the Report of the Fifteenth Finance Commission for 2021-26 and it has come up with some suggestions to improve the system (Government of India, 2020a: p.369). Here it may be noted that over past four decades or so, States as well as various

Expert Groups, Committees and individual researchers have proposed different arrangements to make CSSs effective in the delivery of final outcomes[2], and despite the fact that many CSSs satisfy many of design principles of specific purpose grants in line with international best practices (Sengupta et al., 2018: Chapters 3-4), they could not make any significant difference on the ground.[3] In light of this, a complete overhauling of the specific purpose transfer system in India is needed. In this connection, the following suggestions are made:

(1) The Central Government should rethink of its role and responsibility towards lower tiers so as to effectively promote the idea of cooperative and competitive federalism in achieving the National Development Agenda. This can be done only if States are treated as equal partners (and not perceived as subordinates of the Union) in the process of balanced regional development. Towards this end, Centre should, gradually, reduce its aggressive intervention (in the form of various conditional grants, such as CSS) in subjects/areas Constitutionally assigned to States. Instead of direct intervention in the design and financing of various types of CSSs having numerous conditions and multiple components with overlapping objectives, the Central Ministries/Departments should confined themselves to provide their guidance and technical support to help States achieving their desired goals in line with nationally mandated minimum standards and service provision in different areas having inter-State externalities. Given the differences in levels of development, fiscal capacities and relative socio-economic priorities among States along with many other variations, the choice should be given to States individually to decide their relative priorities in subjects/areas of national importance (having inter-State externalities) with clear goals to be achieved in a given financial year. This should, however, ensure meeting certain basic conditions (such as fiscal prudence, sound financial reporting, proper accounting, effective budgetary control, or any other condition that may be deamed fit for a balanced regional development) and minimum national standards in the provision of various public services by States. Furthermore, States should be fiscally empowered with adequate untied transfers from the Centre which should be stable and predictable in nature and aim at augmenting (not substituting) States' expenditures in their chosen areas. This would enable States to spend the grants in manner that suits their local requirements in areas of national significance.

(2) The specific purpose (tied) grants be given to States only to the extent that they satisfy their State-specific and sector-specific requirements essential for balanced regional development. Contrary to the current system of specific purpose transfer system in India that suffers from many shortcomings (Government of India, 2020a: p.36), the nature of specific purpose grants should be output-based (or performance-linked) and not input (expenditure) or process linked. In this connection, a set of objectively verifiable and quantitatively measurable performance indicators should be devised along with the development of a transparent and credible reporting system and each State should be required to furnish the information on those indicators annually (depending upon which components/CSSs it has

[2] See, for example, Government of India (2011b: Chapter 2 and Annexure II) Sengupta et al. (2018: Annexure II) for a review of such attempts in the past.

[3] The present analysis gives an idea of the ongoing scenario in respect of CSSs after their rationalization and restructuring since 2014-15. This analysis may be supplemented by Khullar et al. (2018: Part 3) and Government of India (2011b) for past experience on this.

chosen to implement) and receive further grant alone, grant with reward or face penalty (as the case may be) subject to careful scrutiny.

(3) For an effective and successful transfer system, it is necessary that there is a strong collaboration between the Centre and States for negotiating on the conditions to be met under various grants, the amount of grants sought, the minimum standards to be ensured and the outcomes/outputs to be achieved by States under each area for which the grant is sought from the Centre. This can be achieved either through joint/bilateral agreements (contracts) between the Centre and States or by putting a legislative framework in place comprising of national legislation as well as enabling legislations at subnational levels or a combination of the two (Sengupta et al., 2018: p.24). In the legislative process, while the principal legislation at the national level sets out the policy objectives to be achieved, the enabling legislations at subnational levels outline specific targets and procedures (keeping in view the local conditions, preferences and requirements of the State) to achieve those broad objectives. A classic example of this kind of process in India is the legislative framework for fiscal consolidation with broad objectives set out in the Central Fiscal Responsibility and Budget Management (FRBM) Act and the rules/obligations as well as the procedures to achieve the broad objectives are worked out by individual State level Fiscal Responsibility Legislations (FRLs). On the other hand, the Right to Education (RTE) Act of 2009 passed by the Government of India does not have enabling legislations at State level; there is no legislation either at the Centre or in any State with regard to 'Right to Live Healthy'. Both of these areas, as a result, are struggling to provide quality services to the people in a cost effective manner, despite the fact that these two areas are among the top most priorities of the Centre in terms of disbursal of grants under CSSs. Bilateral agreements (or contracts) between the Centre and individual States can, indeed, complement the legislative process explained above by defining the joint responsibilities and actions by both tiers of Government through a process of negotiations.

(4) In order to bring greater transparency and accountability in the specific purpose transfer system, all specific purpose grants – sector specific as well as State specific should, in normal situations, be recommended by the Finance Commission (FC) under Article 275 (Grants-in-Aid to States out of the Consolidated Fund of India) which is voted by the Parliament.

(5) Related to the above recommendation is the judicious use of powers granted to both Centre as well as States under Article 282 of the Indian Constitution. "As opposed to the other provisions of the Constitution, the language of Article 282 gives a lot of flexibility in making transfers to States" (Sengupta et al., 2018: p.13). This Article has been extensively used in the history of Indian fiscal transfer system to make discretionary grants under Centrally Sponsored Schemes (Kumar, 2020). Since this Article gives flexibility to both tiers of Government to make grants for any purpose (identified as public purpose), its likely misuse is quite inevitable (for political gains or otherwise). It is, therefore, suggested that, either through an Amendment in this Article or by some other means, the powers under this Article be exercised only in the rare circumstances, such as pandemic, natural calamity, etc. when Government Ministries/Departments may use their discretion to extend necessary special assistance/relief to States/local bodies.

(6) It follows from the above that Finance Commission should have some basis for making recommendations in respect of specific purpose grants to States, especially when it comes to catering

State-specific and sector-specific needs. For this purpose, it is proposed that an Inter-Governmental Council (IGC) be set up as a permanent statutory body having legislative backing and comprising of Government representatives from the Centre and States who should possess some domain knowledge. This body with a strong coordination with FC and NITI Aayog should serve as an important pillar in India's fiscal architecture. The ultimate objective of this proposed body should be to promote cooperation between Centre and States, thereby fostering the spirit of cooperative and competitive federalism. For smooth conduct of its operations, IGC may collaborate with various institutions and domain experts (who may be its parttime members for giving advice on different policy matters). The proposed IGC should perform such functions as the following:

I. It should have the primary task to assess (on a regular basis) State-specific needs as well as sector-specific needs which have interjurisdictional implications and the individual State is not able to meet them even out of its available resources (including untied grants). This kind of regular exercise by proposed IGC will not only provide an effective basis to FC for making recommendations on specific purpose grants under Article 275 of the Constitution, but it will also serve as a benchmark for each State for choosing its priorities under different subjects and seeking grants from the Centre. This would also imply that if, at any point of time, Central Government feels that some area from the List of State Subjects or Subjects under Concurrent List needs special intervention, it may negotiate on this with States after having prior approval of the proposed IGC. Same will apply for individual States too.

II. The proposed IGC should play a proactive role in successful bilateral negotiations/agreements on different aspects of a grant as discussed above and will also help in resolving any conflict between the two tiers of Government.

III. This body should regularly monitor and measure States' performance in terms of guidelines specified for each grant given to them from the Centre, and individual States should mandatorily (under proposed legislative framework) submit their programme activities, expenditure incurred and performance/progress achieved (in terms of clearly defined output goals) on a regular basis to the proposed IGC. IGC, in turn, should publish the same on its website for not only reporting it to the Centre, but also to other States as well as to the public at large for taking lessons from the best practices and worst performers. For smooth operations and greater transparency, the website of the proposed IGC should be integrated with the currently functional Public Financial Management System (PFMS) portal so as to enable regular monitoring and tracking of flow of Central funds under various schemes. The PFMS portal should be developed further for this purpose.

IV. Following from the above, the IGC should make cases for rewarding the better performing States and penalties for poor performing States. However, while making these cases, proper weightage should be given to the performance/progress achieved by a State on specific grant in specific area as well as the pre-defined minimum basic conditions which it was supposed to meet for achieving its targets. These cases should thoroughly be examined by the concerned Central Ministries/Departments and appropriate decision be taken in consultation with IGC members through voting, etc. In case of any conflict between the Centre and States pertaining to any matter, the final decision should be taken through majority votes of IGC members which should be accepted and honoured by both parties. For penalizing a State, the penalty may be decided on case-by-case basis, because penalty may take various forms, such as withholding, repaying or refunding of grant, reducing of grant or reallocating the resources with financial correction (Sengupta et al., 2018: p.50). The proposed body may also undertake any related function necessary to ensure compliance of guidelines by States for various grants given to them by the Centre.

(7) Notwithstanding the above recommendations, the 73rd and 74th Constitutional Amendments must be followed in their true letter and spirit for strengthening local governments which play crucial role in the effective delivery of public services. Any set of conditions (or practice) which prevents any State from availing local body grants from the Centre should be discouraged. With adequate fiscal powers and greater administrative autonomy, local bodies should be made more accountable in the suggested process of change. State Finance Commissions (SFCs) which can play an important role in this process should be strengthened and made fully functional and effective in every State. Individual States will have to ensure this. Not less important is the 'win-to-win' game situation which results from the interaction of different units involved in the delivery of public services – individuals, shopkeepers, local administration, etc. This makes the problem even more complex. This requires culture of social accountability at every stage, but with greater participation from individuals who happen to be the ultimate beneficiaries.

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